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June 2009 Market Summary

After rallying for three months (since hitting lows in February) major markets around the world appear to be in a “wait-and-see” mode as they try to gauge the overall health and the strength of global recovery that may be underway. The emerging markets have led the recovery to this point. In North America, both the S&P/TSX composite index and the Dow Jones Industrial Average (DJIA) were essentially flat for the month of June, although the final results mask the volatility experienced within the month. Outside North America, the emerging markets’ composite index, represented by the Morgan Stanley Emerging Market Index, declined over the previous month while Japan’s Nikkei enjoyed the strongest gain sequentially, over the previous month among international markets in developed countries.

It seems markets, after welcoming the extraordinary stimulus measures taken by governments the world over, are now evaluating the consequences of historically high budget deficits. In the United States, financial markets are also waiting for signals from the Federal Reserve Board (the Fed) on its interest rate and quantitative easing policies. While so far in the current downturn, the Canadian economy seems to be faring better than that of the U.S., the impact of U.S. policies and the spill-over effects for Canada are of concern to Canadian policy makers.

Members of the US Federal Reserve debated whether to signal the end of the ultra low interest rate environment at the last meeting, the Federal Reserve ultimately maintained its low interest rate policy stance. In Canada, the Bank of Canada also maintained its extremely low target overnight rate.

The general concern about the strength of the global recovery also kept a lid on commodity price increases during the month and consequently, the Canadian dollar declined against the U.S. dollar for the month.

Fixed income investors saw bond yields stabilize in Canada as inflation concerns ebbed somewhat in the face of questions about the global economic recovery. Rising world equity markets and a general optimism for a robust recovery had resulted in sell-off

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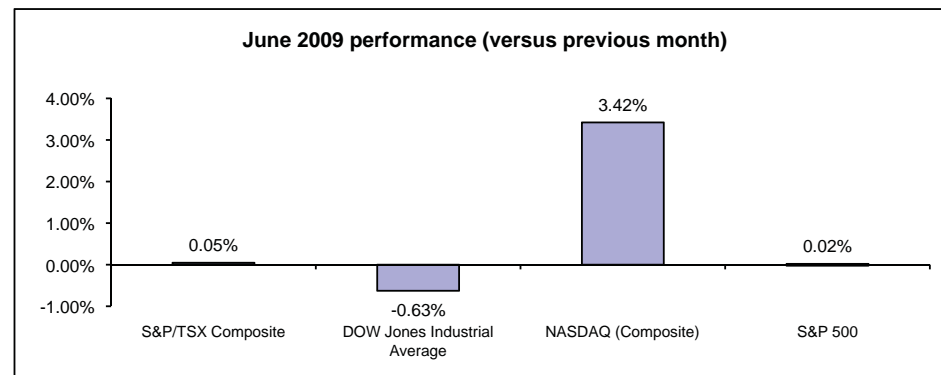
in bond prices and a jump in bond yields in May. However, the mood in June was decisively more cautious so bond yield increases that were poised to price in a faster recovery did not materialize, which kept lending rates stable throughout the economy.

In the United States, bond yields continued to climb, particularly at the short-end of the yield curve. At the same time, the key US 30-year bond yields remained stable.

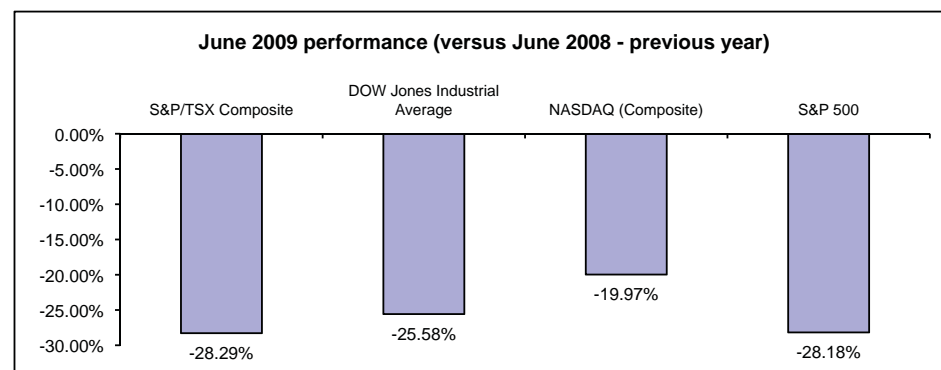
Notwithstanding the relative calm on bond markets, there is an increasing concern about future inflation. Analysts caution that the extraordinary monetary easing policies adopted by virtually every major central bank may lead to significant inflation down the road. These concerns are finding stronger endorsement which is becoming reflected in rising bond yields from the previously historic low levels. If this trend continues, experts contend it will negatively impact the already fragile economic recovery that might be underway in the U.S. and around the world.

North American Markets

After hitting a low in February, and rallying for three consecutive months since then, the S&P/TSX composite index and the Dow Jones Industrial Average paused and barely moved during the month of June. Overall, June was an un-eventful month for major Canadian and U.S. markets based on index performance. The NASDAQ composite was the best performing broad market index in North America, with gains of 3.42% from the previous month. Despite NASDAQ's significant increase during June, it remains down 20% year-over-year when compared with June, 2008.



Source: Bloomberg, Ubika Research

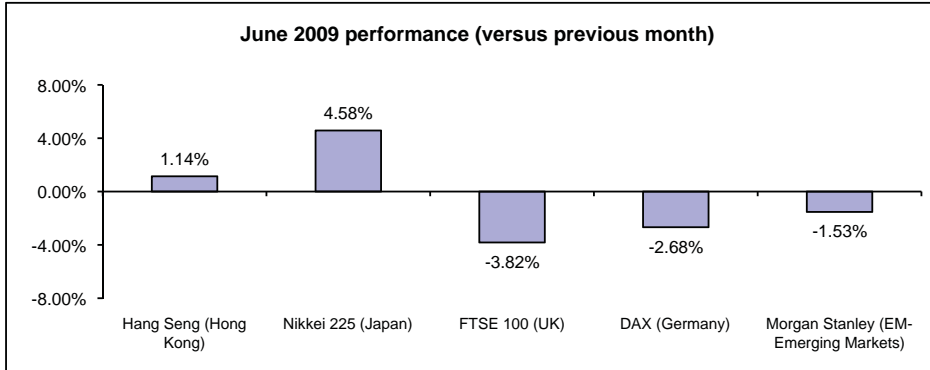


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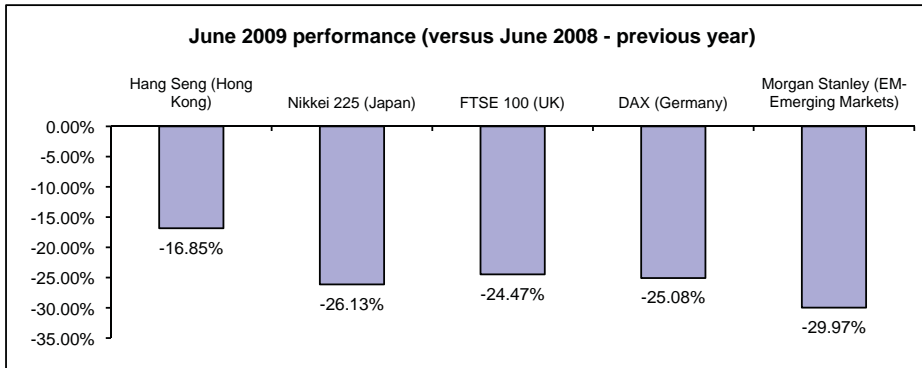
International Markets

Among International Markets, the Hang Seng (Hong Kong) and the Nikkei 225 (Japan) registered positive performances during June. Emerging markets composite index, represented by the Morgan Stanley Emerging Market Index (EM), registered a 1.5% decline during June 2009, reversing the positive performance in the previous month.

However, at the same time, major international markets remain at substantially lower levels when compared with June 2008.



Source: Bloomberg, Ubika Research



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Commodities

Major commodities were unchanged during the month of June, as indicated by the Reuters/Jeffries CRB commodity index. After suffering major declines in previous months, natural gas enjoyed a small improvement of 14% during the month which may seem significant but given that this upward movement comes after hitting historic lows, natural gas prices remain 70% than year-ago levels. Among base metals, Nickel continued to rise and had the biggest increase of 10.3% for June 2009, when compared with the previous month. However, precious metals such as gold and silver declined during the month. Silver prices declined by more than 13%, reversing some of the gains it had made in the previous month. Gold prices saw a slight decline during the month though Gold remains at strong levels, given its status as a safe haven in times of economic turbulence.

Canadian Dollar

The Canadian dollar declined 4.5% during June versus the U.S. dollar and ended the month at 86.70 cents. The weakness in the loonie was driven by the lack of interest in commodities and the resulting moderation in the price surge.

Interest Rates

There was no change in the Bank of Canada's (overnight) rate and the Federal Funds target rate during the month; they continue to remain at historic lows. Consequently, there was no change in the prime rate in either the United States or Canada.

Bonds

Canadian bond yields were stable during the month. Long-term bonds in Canada saw a decrease in yields, with 30-year bond yields declining by 14 basis points for the month. In the United States, bond yields continued to increase, particularly at the short end of the yield curve.

Major Canadian Economic Indicators Released During June 2009

Inflation

Canada's inflation rate declined in May 2009, when compared with April. The Consumer Price Index (CPI) rose 0.1% in the 12 months to May 2009, down from a 0.4% increase in April 2009. The slowdown in the 12-month CPI was primarily the result of an 18.3% year-over-year price drop for energy products. Excluding energy, the CPI rose 2.3%.

Employment

Employment decreased by 42,000 in May 2009, reversing an increase of 36,000 in April. The decline in May employment numbers was led by further manufacturing job losses in Ontario. The unemployment rate rose by 0.4 percentage points to 8.4%, the highest in 11 years. Since the employment peak of last October, employment has fallen by 363,000 or 2.1%. Among provinces, employment increased in Manitoba, Saskatchewan and Nova Scotia.

New Motor Vehicle Sales

The number of new motor vehicles sold remained essentially unchanged in April 2009 at 121,290 units, when compared with March. This follows a strong increase of 6.3% in March. April sales were 8.0% higher than those reported in December 2008, when new motor vehicles sold were at their lowest level in 10 years. Sales were up in eight provinces except Quebec and Ontario, the two largest provinces that registered sales drops.

Retail Sales

Retail sales in current dollars declined by 0.8% in April to \$33.5 billion. This decline came after three consecutive monthly increases in previous months. Sales declined in five of eight sectors, led by a 1.9% decrease in the automotive sector. Food and beverage stores followed with a 1.0% decline. These two sectors represent close to 60% of sales each month. Retail sales were down in six provinces in April. Declines in Quebec (-2.5%) and Ontario (-1.1%) had the most impact on sales at the national level.

Gross Domestic Product (GDP)

Real gross domestic product declined 0.1% in April 2009, a slight improvement compared with a 0.3% decline in March and at the same pace of the 0.1% decline in February. This decline in GDP is better than the more pronounced declines between November 2008 and January 2009. Declines in manufacturing, the energy sector and retail trade were the main contributors to the April decrease.

Major U.S. Economic Indicators released during June 2009

Inflation

On a seasonally adjusted basis, the May consumer price index rose 0.1% after being unchanged in April. In March, the consumer price index had declined 0.1% when compared with February 2009.

Employment

Nonfarm payroll employment continued to decline in June 2009 (-467,000), and the unemployment rate was little changed at 9.5%. Job losses were widespread across the major industry sectors, with large declines occurring in manufacturing, professional and business services, and construction (released on July 02, 2009).

Retail Sales

Advance estimates for U.S. retail sales indicate the May 2009 sales increased by 0.5% from the previous month and declined by 9.6% when compared with May 2008. This May 2009 increase in retail sales is better than the 0.2% decline in the previous month.

Housing Sales

Existing home sales rose 2.4% in May 2009, compared with the previous month. This increase comes after a 2.9% increase in April 2009 and represents the first back-to-back monthly gain since September 2005. Home sales in April 2009 reached a seasonally adjusted 4.68 million units. However, existing home sales are down 3.6% year-over-year, when compared with May 2008.

Gross Domestic Product (GDP)

Real GDP decreased at an annual rate of 5.5% (final estimates) in the first quarter of 2009. This was better than the 6.3% GDP decline in the fourth quarter of 2008.



Market Indicators				Chg. from Previous Month	Chg. from Previous Year
NA Stock Indices	Jun-09	May-09	Jun-08		
S&P/TSX Composite	10,374.9	10,370.1	14,467.0	0.05%	-28.29%
DOW Jones Industrial Average	8,447.0	8,500.3	11,350.0	-0.63%	-25.58%
NASDAQ (Composite)	1,835.0	1,774.3	2,293.0	3.42%	-19.97%
S&P 500	919.3	919.1	1,280.0	0.02%	-28.18%
International Stock Indices					
Hang Seng (Hong Kong)	18,378.7	18,171.0	22,102.0	1.14%	-16.85%
Nikkei 225 (Japan)	9,958.4	9,522.5	13,481.4	4.58%	-26.13%
FTSE 100 (UK)	4,249.2	4,417.9	5,625.9	-3.82%	-24.47%
DAX (Germany)	4,808.6	4,940.8	6,418.3	-2.68%	-25.08%
Morgan Stanley (EM- Emerging Markets)	761.3	773.1	1,087.1	-1.53%	-29.97%
Commodities Closing prices (Spot)					
Oil West Texas US\$/bbl	69.89	66.3	140	5.40%	-50.08%
Natural Gas Henry Hub US\$ mmbtu	3.716	3.3	13.1917	14.34%	-71.83%
Gold US\$/troy ounce	926.6	979.2	925.4	-5.37%	0.13%
Silver US\$/troy ounce	13.605	15.7	17.41	-13.56%	-21.86%
Copper US\$/lb	2.24	2.2	3.94	2.76%	-43.07%
Lead US\$/lb	0.76	0.7	0.80	7.39%	-5.27%
Zinc US\$/lb	0.69	0.7	0.86	-1.25%	-20.01%
Nickel US\$/lb	6.94	6.3	9.89	10.28%	-29.84%
Reuters/Jeffries CRB Commodity Index	249.96	249.8	462.74	0.05%	-45.98%
Exchange Rate (Closing)					
C\$/US\$	86.68	90.8	99.14	-4.56%	-12.57%
C\$/Euro\$	61.38	64.4	62.8	-4.71%	-2.27%
US\$/Euro\$	70.81	70.9	63.34	-0.16%	11.80%

Source: Bloomberg, Ubika Research

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